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ABSTRACT

This document reports on a study of the likelihood of individuals participating in the Federal food stamp program and the Medicaid program and the likelihood of exiting those programs. Data were analyzed from the first panel file of the Survey of Income and Program Participation (SIPP). Special problems with representativeness and measurement error are discussed. The following characteristics were found to be associated with participants: (1) males are less likely than females to participate and more likely to exit; (2) Blacks and Hispanics are more likely to participate than are Whites, but exit rates are similar for all racial groups; (3) those with less than a high school education are more likely than high school graduates or college graduates to participate; (4) those in a nonmarried-couple family were more likely to participate than those in married-couple families or persons not in a family; and (5) full-time workers had the lowest likelihood of participating. The following characteristics were found to be associated with those who exited: (1) those exiting programs seldom had changes in family status and marital status; (2) the majority of those who exited had no significant change in work activity; (3) exiting a program does not necessarily mean an improvement in economic status; and (4) almost one-half of those who exited the Medicaid program had failed to find a new source of health insurance coverage 12 months after leaving. Statistical data are included on six tables. Three references are appended. (FMW)

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WHAT HAPPENS WHEN PERSONS LEAVE WELFARE: DATA FROM THE SIPP PANEL FILE

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I. INTRODUCTION

Panel surveys offer analysts the opportunity to examine the frequency with which individuals move from one status to another and to examine the relationships between changes in status and other characteristics. In this paper we use the first panel file from the Survey of Income and Program Participation (SIPP) to examine the likelihood of participating in government assistance programs and the likelihood of exiting those programs.

An internal Census Bureau version of the SIPP 1984 panel file was created in May 1988 and a public use file was made available in July 1988. The file contains monthly data for persons over a 32 month period. The staggered SIPP sample design means that the actual reference periods are different for each rotation of the panel. The reference periods include June 1983 to January 1986, July 1983 to February 1986, August 1983 to March 1986, and September 1983 to April 1986.

The preparation and weighting of a panel file presents special problems and special opportunities. The ability to examine previous or subsequent observations when imputing a missing data item is an opportunity. The need to develop weights that will control for differential attrition rates is a problem. The file that was created made use of prior and subsequent observations in the imputation process and weighted the individual cases in such a way so that they added up to independent estimates of the population classified by age, race, Hispanic origin, and sex. Each person on the panel file has been assigned three weights; a weight for calendar year 1984, a weight for calendar year 1985, and a weight for the 32 month period. In order to receive a nonzero weight, a person must have an observation for each month of the relevant reference period or have a complete set of observations up until the time he or she died or became institutionalized.

Most of the analysis presented in this paper is based on persons for whom a complete set of observations was obtained. The total weighted number of persons will fall short of the independent estimates of the total population because some persons with positive weights (those who died or were institutionalized) are excluded from the analysis.

The next two sections present participation and exit rates for Federal assistance programs followed by a section analyzing the characteristics of participants one month prior to and twelve months after exiting a program. The conclusions drawn from the relationships shown in this paper may be affected if the characteristics of persons with an incomplete set of observations differs from those with a complete set. The fifth section of this paper will present data on this topic. The following section will examine measurement error issues and the final section will present conclusions.

II. MEASURING EXIT RATES

In order to examine exit rates and the characteristics of persons who exited from programs, we adopted the following structure of analysis. We defined a program participant as someone who participated in any of the months 2 through 19. A person was considered to exit a program if he or she became a nonparticipant in any of the months 3 through 20. We adopted this structure because in the analysis we wanted to compare characteristics during the month prior to leaving a program with characteristics 12 months after leaving.

Basic participation and exit rates of persons 15 years old and over for the major assistance programs are shown in table 1. Given the limited time period during which a person could have exited (months 3 through 20), the exit rates in table 1 appear high. For example, nearly 40 percent of participants in government assistance programs left the program during the period. Approximately 47 percent of AFDC or general assistance participants and over one-half of Food Stamp recipients exited the program.

We can examine the rates more closely by looking at the participation status 12 months after the exit occurred. If the person remained off the program, the exit is labeled "permanent," otherwise the exit is labeled "temporary." The figures in table 2 show that many of the exits were temporary. For example, while 12.2 percent of SSI participants exited the program during the period, 4.0 percent of participants were receiving benefits again 12 months later (temporary exit) and 8.2 percent remained off the program. We were unable to obtain program data that could be used to verify these figures, but an SSI analyst familiar with program data on the characteristics of applicants thought that the temporary exit rate for that program was reasonable. For AFDC and food stamp programs, approximately 14 percent of participants exited the program during the period and returned to the program within 12 months. The permanent exit rate for AFDC of 34.5 percent is comparable to rates derived from the Panel Survey of Income Dynamics (PSID). Hutchen (1981) presented exit rates from the AFDC program based on the PSID and found 28 percent of families which received AFDC during 1970 did not receive it the next year. The PSID estimates based on yearly recipiency data should underestimate the SIPP results based on monthly data because families which exit the program in one year and reenter the next year would receive payments in both years and not be considered an exit in PSID.

III. PARTICIPATION AND EXIT RATES FOR POPULATION SUBGROUPS

Some of the differences among population subgroups in the likelihood of participating in the

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food stamp and Medicaid programs and in the likelihood of exiting those programs are shown in table 3. The differentials among the subgroups are similar for both programs. Males are less likely to participate and more likely to exit the programs than are females. Blacks and persons of Hispanic origin have higher participation rates than Whites for both programs, but exit rates from the programs are similar for Whites, Blacks, and persons of Hispanic origin. Persons with less than a high school education are much more likely than high school graduates to be program participants and they are much less likely to exit either program. College graduates have very low participation rates. Persons in a married-couple family were about one-fifth as likely as persons in other family types to participate in the food stamp and Medicaid programs, and they were more likely to exit those programs. Persons not in a family had lower participation rates than persons in nonmarried-couple families. Finally, there was a strong association between labor force activity status in the first month of the panel and subsequent participation and exit experience. About four percent of full-time workers participated in the food stamp program in months 2 through 19 and seventy percent of these persons had exited by month 20. About fourteen percent of those not in the labor force were food stamp participants and the exit rate for this group was forty-one percent. The data for the Medicaid program also show that full-time workers had a small likelihood of participating and a high likelihood of exiting the program.

IV. CHARACTERISTICS ONE MONTH PRIOR AND TWELVE MONTHS AFTER EXITING

The purpose of this section is to determine if it is possible to identify some of the characteristics that are associated with the likelihood of exiting from a program. This is a preliminary review of the data and falls well short of the multivariate analysis that might be done in the future.

We focus on the food stamp program. The characteristics that are examined for their possible association with the likelihood of exiting are family status, marital status, work experience, earnings level, and low-income status.

The first set of data in table 4 show exit experience by family status in the month prior to exit and in the twelfth month after the exit. The data are restricted to persons with a "permanent" exit. Approximately 86 percent of those who made a permanent exit experienced no change in family status. About 6 percent left a married-couple family or joined a married-couple family. The next set of data in table 4 show prior and subsequent marital status for those who exited the food stamp program. The great majority of persons who permanently exited the food stamp program had no change in marital status (90 percent). About 10 percent became married, spouse present or had some other change in marital status.

Table 4 shows work experience in the month prior to leaving and in the twelfth month after leaving. About 58 percent of those who exited were in the same labor force category prior to leaving as they were 12 months after leaving, but a substantial proportion, about 24 percent, moved from the not a full-time worker or nonworker categories to the full-time worker category. Smaller proportions had a decline in labor force activity or moved from a nonworker to a not full-time worker.

Earnings level prior and subsequent to leaving the food stamp program are shown in table 4. Fifty nine percent of those who exited showed no change in their category of earnings (18 percent stayed in the "$500 and over" category and 39 percent stayed in the "No earnings" category). A fairly substantial proportion, about 13 percent, moved from "No earnings" to earnings of $500 and over. Overall, 31 percent moved to a higher earnings category, and 10 percent moved to a lower category.

Our final characteristic in table 4 is low-income status. This characteristic was calculated on a monthly basis by annualizing the monthly income of the family (or unrelated individual) and comparing the annualized income against the appropriate poverty threshold. About 35 percent of those who exited remained in the same category and 21 percent stayed below the 1.00 level. About 51 percent showed an upward movement in their income category, and about 15 percent moved to a lower category.

V. ASSESSING THE REPRESENTATIVES OF THE SIPP PANEL FILE

In the analysis presented above, we focused on persons with complete information for the 32 month reference period and excluded persons with incomplete information during the period. This brings up the issue of how the characteristics of persons with missing information compare to persons in the analysis, that is, the representativeness of the sample. Table 6 shows selected characteristics of persons with complete information (with a non-zero panel weight) and persons with incomplete information (persons with a panel weight of zero). Persons who were in sample at the beginning of the panel (100 level persons) but missed one or more interviews had similar characteristics when compared to persons with complete information. Distributions by sex and age are similar for both groups. For persons age 18 and over, the percent with labor force status activity in the first month in sample were similar for both groups. Distributions by marital status, sources of income, and private health insurance coverage were generally similar for both groups, although persons with missing observations had a lower percentage of persons married spouse present and higher percentage never married, a higher percentage who did not receive selected sources of income, and a higher percentage who were not covered by private health insurance.

Persons who entered the sample after the first interview (200+ level persons), had some differences in characteristics when compared to persons with complete observations. A higher proportion of sample entrants were male and approximately 60 percent were less than 25 years old. For persons age 18 and over, a higher proportion of sample entrants were never married, were not in family households, did not receive selected sources of income, and were not covered by

private health insurance. These comparisons suggest that persons who entered the sample after the first interview, have some differences in characteristics when compared to persons who had a complete set of observations. While these differences may affect the results presented above, the level and direction of the impact is unclear and require further analyses.

VI. MEASUREMENT ERROR AS A COMPONENT OF ESTIMATES OF CHANGE

The analysis presented in this paper focuses on longitudinal change in status. Some of the changes in status, however, are undoubtedly caused by response error or by the incorrect marking of the questionnaire. Misreporting transitions occur when respondents incorrectly report a change in status in an interview, for example, receiving a source of income in one interview and incorrectly reporting not receiving that income in the next interview. There are several potential causes for these types of errors including misclassification of income types, recall error or the use of proxy respondents who may have imperfect information.

We can examine the impact of misreporting on estimates of change by adopting different rules to identify transitions. Month-to-month comparisons clearly set an upper bound to transitions. A "1-month-rule" would result in transitions if there is any misreporting for a wave. An alternative would be to require a longer spell in each status before a transition is identified. A more conservative rule is to consider transitions to occur when a person is in one status for 5 or more consecutive months followed by 5 or more consecutive months in another status. We chose a spell of 5 months in order to avoid cases with misreporting in one wave (with a 4 month reference period) from being classified as a transition. In such cases, the 1-month-rule would identify two transitions. Transition rates for major assistance programs based on 1-month and 5-month rules are presented in tables 7 and 8. In general, the 1-month rule produced transition rates approximately 2 times the rate based on the 5-month rule. For example, 4.8 percent of participants in major assistance programs at the start of the panel had one or more changes based on the 1-month rule compared to 2.6 percent based on the 5-month rule. For non-participants at the beginning of the panel, the rates were 6.2 and 2.5 percent, respectively. Because misreporting for one interview produces short spells, the results suggest that transition rates are sensitive to measurement error.

VII. SUBSEQUENT HEALTH INSURANCE COVERAGE STATUS OF PERSONS WHO EXIT THE MEDICAID PROGRAM

An important issue in discussions about welfare dependency is the extent to which programs. The figures below in table 5 show what happens to the health insurance coverage status of persons who leave the Medicaid program. The universe for table 5 is persons less than 65 years of age as of the beginning of the panel. Of the 5.3 million persons who left the Medicaid program and had not returned within 12 months, 2.6 million had obtained private health insurance by that twelfth month and another 200,000 had obtained Medicare coverage. Two and one-half million of those who exited the program failed to obtain health insurance coverage. The results suggest that the prospect of losing health insurance coverage is a powerful incentive for remaining within the welfare system.

VIII. CONCLUSIONS

Panel data offer analysts the opportunity to study the frequency and correlates of changes in status. Panel data also offer special problems and we have just discussed the issues of representativeness and measurement error. In a perfect world, we might ask for a larger sample that is free from attrition and response error and we may also ask for a longer panel life. In the real world, we think the potential of the SIPP survey is now being realized.

This paper has identified certain characteristics that are associated with the likelihood of participating in assistance programs and with the likelihood of exiting those programs. We examined the characteristics of persons who exited programs as of the month prior to the exit and as of the twelfth month following the exit in an effort to identify the factors that explain exits. We found that persons who exited seldom had changes in family status or marital status. Changes in work activity were much more likely but the majority of persons who exited experienced no significant change in these variables either. We found that exiting an assistance program does not always mean that the person has experienced an improvement in economic status. Of those who exited the food stamp program, 35 percent stayed in the same poverty status category and 21 percent remained below the poverty threshold. Fifty one percent of those who left the food stamp program had reached a higher income level twelve months after leaving, but 15 percent had suffered a decline.

The study also showed that almost one-half of those persons who left the Medicaid program had failed to find a new source of health insurance coverage 12 months after leaving. This result should be remembered as we attempt to develop programs to reduce welfare dependency.

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Table 1. Participation and Exit Rates for Major Assistance Programs, Persons 15 Years Old and Over

	Percent of persons age 15 and over who participated	Percent of participants who exited
Any major program	13.8	39.2
AFDC or general assistance	4.3	46.9
Federal or State SSI	2.3	12.2
Food stamps	9.2	53.5
Medicaid	7.7	35.5
Public or subsidized housing	3.9	22.0

Table 2. Permanent and Temporary Exit Rates for Major Assistance Programs, Persons 15 Years Old and Over

	Percent of participants with a permanent exit	Percent of participants with a temporary exit
Any major program	29.9	9.3
AFDC or general assistance	34.5	12.3
Federal or State SSI	8.2	4.0
Food stamps	39.6	13.9
Medicaid	27.7	7.8
Public or subsidized housing	19.4	2.6

Table 3. Participation and Exit Rates for Food Stamps and Medicaid Programs, by Selected Characteristics of Persons 15 Years Old and Over

CHARACTERISTIC[1]	Food stamps		Medicaid	
	Participation rate	Exit rate	Participation rate	Exit rate
SEX				
Male	6.9	64.1	4.9	46.8
Female	11.4	47.8	10.2	30.6
RACE AND HISPANIC ORIGIN[2]				
White	6.8	55.7	5.7	35.9
Black	27.9	49.4	22.4	35.4
Hispanic origin	17.4	47.5	17.9	35.5
YEARS OF SCHOOL COMPLETED				
Less than 12	18.8	46.7	16.6	26.3
12 to 15	6.3	60.6	4.9	43.8
16 and over	1.3	51.6	1.3	38.3
FAMILY STATUS				
In married-couple family	6.0	62.3	4.2	43.6
In other family	28.5	48.0	25.6	31.5
Not a family member	8.2	38.9	9.2	27.1
WORK EXPERIENCE				
All weeks full time	3.5	69.7	1.8	61.1
Other labor force activity	15.0	62.4	10.3	47.9
Not in labor force	13.6	41.2	14.4	25.2

1/ Characteristic as of the first month in sample.
2/ Persons of Hispanic origin may be of any race.

Table 4. Changes in Selected Statuses for Persons with a Permanent Exit from the Food Stamp Program

	With a permanent exit from the food stamp program	
	Number (thousands)	Percent distribution
Total	6,231	
FAMILY STATUS		100.0
Family status did not change:	5,352	85.9
In married-couple family	3,195	51.3
In other family	1,740	27.9
Not in a family	417	6.7
Family status changed:		
From married-couple to -		
Other family	249	4.0
Not in a family	162	2.6
From other family to -		
Married-couple family	224	3.6
Not in a family	166	2.7
From not in a family to -		
Married-couple family	22	0.4
Other family	56	0.9
MARITAL STATUS		100.0
Marital status did not change	5,603	89.9
Married, spouse present	2,636	42.3
Married, spouse absent	8	0.1
Widowed	313	5.0
Divorced	650	10.4
Separated	180	2.9
Never married	1,816	29.1
Marital status changed:		
Became -		
Married, spouse present	271	4.3
Married, spouse absent	33	0.5
Widowed	61	1.0
Marital status changed:		
Became - (continued)		
Divorced	141	2.3
Separated	122	2.0
WORK EXPERIENCE		100.0
Work experience status did not change	3,594	57.7
Worked all weeks, full time	1,061	17.0
Other labor force activity	965	15.5
Not in labor force	1,568	25.2

Table 4. Changes in Selected Statuses for Persons with a Permanent Exit from the Food Stamp Program (continued)

	With a permanent exit from the food stamp program	
	Number (thousands)	Percent distribution
From worked all weeks, full time to -		
Other labor force activity	219	3.5
Not in labor force	66	1.1
From other labor force activity to -		
Worked all weeks, full time	1,285	20.6
Not in labor force	424	6.8
From not in labor force to -		
Worked all weeks, full time	206	3.3
Other labor force activity	438	7.0
EARNINGS LEVEL		100.0
No change in earnings category	3,681	59.1
$500 and over	1,106	17.7
$250 to $499	98	59.1
$1 to $249	78	1.6
No earnings	2,398	38.5
From "$500 and over" to -		
$250 to $499	101	1.6
$1 to $249	22	0.4
No earnings	84	1.3
From "$250 to $499" to -		
$500 and over	327	5.2
$1 to $249	117	1.9
No earnings	78	1.3
From "$1 to $249" to -		
$500 and over	258	4.1
$250 to $499	111	1.8
No earnings	230	3.7
From "No earnings " to -		
$500 and over	801	12.9
$250 to $499	234	3.8
$1 to $249	187	3.0
LOW INCOME STATUS		100.0
No change in low-income status	2,165	34.7
Below 1.00	1,318	21.2
1.00 to 1.24	268	4.3
1.25 to 1.49	90	1.4
1.50 to 1.99	97	1.6
2.00 and over	392	6.3
From "Below 1.00" to -		
1.00 to 1.24	491	7.9
1.25 to 1.49	468	7.5
1.50 to 1.99	429	6.9
2.00 and over	603	9.7

Table 4. Changes in Selected Statuses for Persons with a Permanent Exit from the Food Stamp Program (continued)

	With a permanent exit from the food stamp program	
	Number (thousands)	Percent distribution
From "1.00 to 1.24" to -		
Below 1.00	177	2.8
1.25 to 1.49	207	3.3
1.50 to 1.99	198	3.2
2.00 and over	305	4.9
From "1.25 to 1.49" to -		
Below 1.00	97	1.6
1.00 to 1.24	85	1.4
1.50 to 1.99	209	3.4
2.00 and over	115	1.8
From "1.50 to 1.99" to -		
Below 1.00	110	1.8
1.00 to 1.24	94	1.5
1.25 to 1.49	100	1.6
2.00 and over	128	2.1
From "2.00 and over" to -		
Below 1.00	80	1.3
1.00 to 1.24	55	0.9
1.25 to 1.49	12	0.2
1.50 to 1.99	102	1.6

Table 5. Health Insurance Coverage for Persons with a Permanent Exit from Medicaid Program, Persons less than 65 at start of Panel.

	With a permanent exit from the Medicaid program	
	Number (000's)	Percent distribution
Total	5,271	100.0
Retained coverage	2,788	52.9
Government (Medicare)	199	3.8
Private	2,589	49.1
Lost coverage	2,483	47.1

Table 6. Percent Distribution: Three Categories of Sample Persons

Characterisitic	Complete set of interviews obtained[1]	Interviewed in first wave, left sample for reasons other than death or institutionalization[2]	Not a member of a sample household during first wave, interview obtained in second or later waves
Total.....	32,391 100.0	21,357 100.0	10,279 100.0
SEX			
Male.....	47.1	48.7	51.5
Female.....	52.9	51.3	48.5
AGE AT FIRST INTERVIEW			
Under 18 years.....	28.8	27.7	35.5
Under 6 years.....	9.9	9.3	22.9
18 to 24 years.....	10.7	14.2	24.6
25 to 44 years.....	28.5	29.5	25.4
45 to 64 years.....	19.5	19.3	11.2
65 years and over.....	12.5	9.3	3.4
75 years and over...	4.8	3.2	1.4
PROGRAM PARTICIPATION: FIRST MONTH IN SAMPLE			
Persons 18 years and over.....	23,049 100.0	15,447 100.0	6,630 100.0
Participated in major assistance program..	9.5	9.3	10.0
AFDC or general assistance.....	2.3	2.9	3.2
Food stamps.....	5.4	5.4	4.9
Medicaid.....	5.5	5.2	5.9
Public/subsidized housing.....	3.0	3.0	2.3
SSI.....	2.1	1.4	1.8
Did not participate....	90.5	90.7	90.0

1/Includes 1,307 persons who died or were institutionalized during the 32 month period.

2/Includes approximately 9,200 persons who were dropped from the panel for budget reasons.